

**CITY OF EVERLY
INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
JULY 1, 2013 THROUGH JUNE 30, 2014**

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CITY OF EVERLY

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Roger Putnam	Mayor	Jan 2015
Ron Thompson	Mayor Pro-Tem	Jan 2017
Cheri Hoyer	Council Member	Jan 2017
Brad Behrens	Council Member	Jan 2015
Tara Patrick	Council Member	Jan 2015
Josh Muckey	Council Member	Jan 2015
Janice Thompson	Clerk/Treasurer	Indefinite
Dennis Cmelik	Attorney	Indefinite

Independent Accountants' Report on Applying Agreed-Upon Procedures

To the Honorable Mayor
and Members of City Council:

We have performed the procedures enumerated below which were established pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide oversight of certain Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Everly for the period July 1, 2013 through June 30, 2014. The City of Everly's management, which agreed to the performance of the procedures performed, is responsible for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specific in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and findings are summarized as follows:

1. We reviewed four City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa. We noted one of the board minutes was not published within 15 days. See the detailed recommendations for additional information.
2. We reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee. We noted there was an overall lack of adequate segregation of duties. See the detailed recommendations for additional information.
3. We reviewed surety bond coverage for compliance with Chapter 64 of the Code of Iowa. The surety bond coverage complied with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City Clerk's financial reports and selected two months of bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council. The months of November 2013 and February 2014 were properly reconciled and agreed to the general ledger and financial reports.
5. We reviewed City funds for consistency with the City Finance Committee's (CFC) recommended uniform chart of accounts and to determine required funds and fund balances are properly maintained and accurately accounted for. No exceptions were noted.
6. We reviewed the City's fiscal year 2014 Annual Financial Report (AFR) to determine whether it was completed and accurately reflects the City's financial information. No exceptions were noted.
7. We reviewed investments to determine compliance with Chapter 12B of the Code of Iowa. All investments complied with Chapter 12B of the Code of Iowa.

8. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa. All items complied with the previous mentioned chapters of the Code of Iowa.
9. We reviewed debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for. All debt transactions were properly accounted for and were properly authorized. They complied with Chapters 75, 384 and 403.9 of the Code of Iowa, where applicable.
10. We reviewed and tested one month of receipts for accurate accounting and consistency with the CFC recommended chart of accounts. No exceptions noted.
11. We reviewed and tested 30 disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the CFC recommended chart of accounts and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa. No exceptions noted.
12. We reviewed transfers between funds for propriety, proper authorization and accurate accounting. No exceptions noted.
13. We reviewed and tested five payroll and related transactions for propriety, proper authorization and accurate accounting. No exceptions noted.
14. We reviewed the annual certified budget for proper authorization, certification and timely amendment. See the detailed recommendations for information on exception that was noted.

We were not engaged to and did not conduct an audit of the City of Everly, the objective of which is the expression of opinions on the City's financial statements. Accordingly, we do not express opinions on the City's financial statements. Had we performed additional procedures, or had we performed an audit of the City of Everly, additional matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Everly and other parties to whom the City of Everly may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Everly during the course of our examination. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Williams & Company, P.C.
Certified Public Accountants

Spencer, Iowa
December 19, 2014

**CITY OF EVERLY
DETAILED RECOMMENDATIONS
FOR THE PERIOD JULY 1, 2013 THROUGH JUNE 30, 2014**

- (A) City Council Minutes – Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings be published within fifteen days of the meeting. Minutes for the December 2013 meeting tested were not published within fifteen days.

Recommendation – The City should comply with the Code of Iowa and publish minutes within fifteen days, as required.

- (B) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, the same individual has control over each of the following areas for the City:

- (1) Cash – handling, reconciling and recording.
- (2) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
- (3) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (4) Payroll – recordkeeping, preparation and distribution.
- (5) Utilities – billing, collecting, depositing and posting.
- (6) Financial reporting – preparing and reconciling.
- (7) Journal entries – preparing and journalizing.

Criteria – The City is responsible for the establishment of adequate segregation of duties to help prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the City's financial statements.

Condition – The City has a small staff and accordingly has not been able to achieve full segregation of duties over all accounting transactions. Employees who handle cash receipts are also involved with the preparation of bank reconciliations and the posting of payments.

Effect – As a result of this condition, there is a higher risk that errors or irregularities could occur and not be detected within a timely period. Internal controls that are in place could be averted, overridden, or not consistently implemented.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be evidenced by the signature or initials of the reviewer and the date of the review.

Response – The City feels that additional personnel would not be cost effective. However, management and the City Council will review procedures and investigate available alternatives based on the current employee on staff.

Conclusion – Response accepted.

**CITY OF EVERLY
DETAILED RECOMMENDATIONS
FOR THE PERIOD JULY 1, 2013 THROUGH JUNE 30, 2014**

(C) Financial Condition – At June 30, 2014, the City had a deficit balance in the General Fund.

Recommendation – The City should investigate an alternative to eliminate this deficit to return the fund to sound financial position.

(D) Certified Budget – The budget amendment for the year ended June 30, 2014 was not properly filed with the county auditor in accordance with Chapter 384.18 of the Code of Iowa.

Recommendation – The amended budget should have been filed with the county auditor in accordance with Chapter 384.18 of the Code of Iowa.